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S&MM

SALES & MARKETING MANAGEMENT

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A BILL PUBLICATION
TWO DOLLARS

Inside Out

Warner-Lambert groups all prescription-drug marketing in its new Parke-Davis Div. Page 10.

The racquetball craze creates an instant market. Page 14.

On your mark. Olympic promotions are off and running. Page 16.

Hirsch U.S.A. secures its hold on a choice segment of the watchband market by using systems selling and a mostly female sales force. Page 39.

Sales Strategies. A new S&MM department by contributor Mack Hanan argues that, in setting sales objectives, marketers can get their best ideas from customers. Page 82.

The Frost Belt warms up. S&MM's latest projections show the Northeast and Midwest regaining population by 1983. Page 100.

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Rebuilding American Biltrite

By systematically tracking all aspects of his operations, Fred Piermattei, general manager of Biltrite's Boston Industrial Products Div. (l.), meets monthly profit goals set by company president George Safiol. Now the two want to upgrade selling. Page 35.

DESIGNER LABELS

"NEXT?

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Sales meetings for profit (and fun)

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What's coming up

Special Report on the 1980s. A detailed look at emerging trends in both industrial and consumer markets. Also, a gallery of predictions about what's in store for every major function of sales and marketing. Dec. 10.

S&MM's Awards Issue. Companies to receive S&MM's Grand, Distinguished, and Excellence awards for outstanding sales or marketing achievements in 1979 will be profiled in our Fifth Annual Awards Issue. Also to be cited then: the man or woman who had outstanding impact on the marketing world this year. And the 100 winners of S&MM's popular Business Executives' Dining Awards competition. Jan. 14.

Selling by celebrities. You see them in ads, but some of the best work by sports personalities and others is being done at sales meetings. Some even go on customer calls. Feb. 4.

Audiovisuals. AV selling aids continue to grow in importance in such areas as training, meetings, and sales presentations. Here's a guide to the latest hardware on the market and how best to use it. Feb. 4.

Address all manuscripts and correspondence relating to editorial matters to The Editor, Sales & Marketing Management, 633 Third Ave., New York, N.Y. 10017.

Because S&MM is almost totally staff written, only a very small number of contributed articles can be accepted for publication. For that reason, contributors are urged to submit an initial query along with an outline.

All unsolicited manuscripts must be accompanied by a return envelope with sufficient first-class postage. We regret that those arriving without such postage cannot be returned.

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ABP MPA ABC BPA

Black Flag's success, notes Roach Motel assistant product manager Wayne Shealy, is largely because it, too, treats the product with humor—the motel variety. A TV commercial, created by C.T. Clyne Co., New York City, shows a husband reassuring his roach-weary mate that roaches that check into a Roach Motel "don't check out!" Similarly, transit ads show a male roach leading a female companion into a Roach Motel, a leer on his face. The humorous possibilities of Roach Motel have been played on by TV's *The Tonight Show* and *Saturday Night Live*, further building consumer awareness.

This year, the dozen or so companies marketing the traps will reap about $10 million in sales. Shealy notes that his product will soon be sold in Canada and possibly in other countries. But he refuses to predict what will happen to Black Flag's roach sprays as Roach Motel makes it big.

MEDIA

A pitch to conventioneers

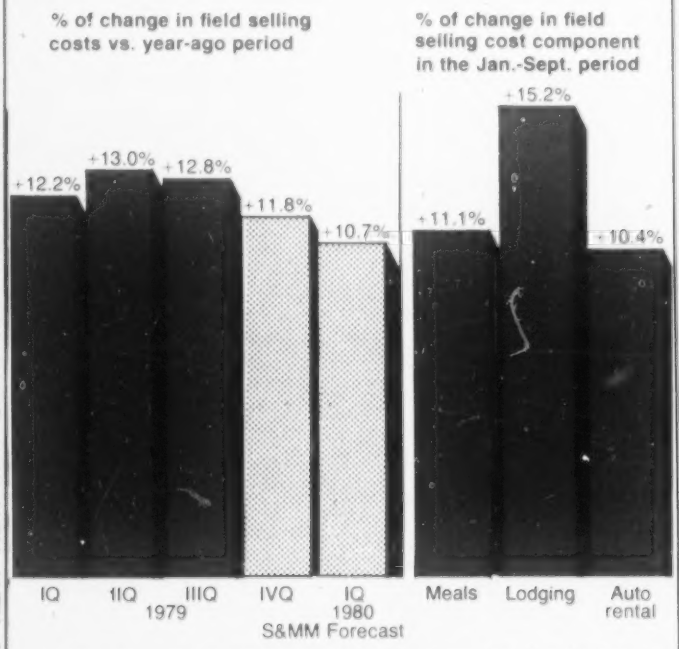
The double whammy of recession and inflation will make more business travellers tie their vacation plans to their convention activities, claims Robert Simon, publisher of *Westword*, Denver's popular (circulation: 50,000) "alternative weekly (S&MM, March). Sensing an opportunity for sales, 22-year-old Simon will introduce in December a quarterly magazine, *The Conventioneer*, aimed exclusively at those attending Denver's conventions.

Because trade shows held in Denver must be booked two years in advance, gauging the number of attendees each quar-

NEW NEW NEW NEW NEW NEW NEW NEW NEW NEW

S&MM BAROMETER

At long last, A 'down' trend in field selling costs



For a change, here's some good news: the rise in the aggregate cost of meals, lodging, and car rentals will recede slightly from an estimated 12.8% in the third quarter to 11.8% in the fourth quarter. What's more, the aggregate rise will drop to 10.7% in 1980's first quarter.

The reversal is indeed welcome. In the first nine months of 1979, field selling costs shot upwards by 12.6%. Lodging was the biggest culprit as hotel rates surged ahead by 15%. The costs of restaurant meals, up 11%, and car rentals, up 10%, were almost as hyperactive from January through September.

The "down" trend in field selling costs increases was predicted in S&MM's August Barometer, although its pace has been slower than hoped for. But in a year like this one, even the smallest favor is appreciated.

Note: Data shown are not directly comparable with the August Barometer because that Barometer was based on both seasonally adjusted and unadjusted indexes; this Barometer uses seasonally adjusted indexes only.
Sources: S&MM estimates, Bureau of Labor Statistics.
Sales & Marketing Management

NEW NEW NEW NEW NEW NEW NEW NEW NEW NEW

MANAGERS ON COMPENSATION PLANS

There has to be a better way

A survey of S&MM readers shows that a significant number—one in three—of the people who create or administer sales compensation plans are still looking for The Answer. Consultants John Barry and Porter Henry, who conducted this survey, report that those managers admit that their compensation plans come up short in such basics as guaranteeing maximum profitability or sales force performance. But despite open dissatisfaction or serious doubts about the merits of their pay practices, many of those managers are unwilling or unable to do much to change the situation, say Barry and Henry.

Studied were 449 questionnaires from manufacturers, wholesalers, distributors, independent sales representatives, and service companies. The results, which will also appear in a forthcoming book, *Effective Sales Incentive Compensation*, being completed by Barry and Henry for McGraw-Hill Book Co., appear here:

MANUFACTURERS

Plan Being Used	*% Using It*	*% Of Users Satisfied With Plan*	*% Dissatisfied*	*% Uncertain Or No Answer*
Salary plus incentive	66.3%	53.1%	32.2%	14.7%
Commission with draw	0.8	82.6*	17.4*	—
Commission only	14.2	80.0	8.6	11.4
Straight salary	18.6	50.0	43.5	6.5

Number responding: 249.

*Indicates a small sample—a breakdown of 10 or fewer.

Reasons most frequently given for satisfaction or dissatisfaction:

Salary plus incentive

Reasons for satisfaction: improved performance (18% of respondents), fairness to both sides (17%), ease of budgeting (12%), secure income, fixed costs, better control of salespeople.

Reasons for dissatisfaction: incentive payments not large enough to motivate (18%), hard to administer, not tied to profit, low income in a bad year.

Commission

Reasons for satisfaction: known costs, no ceiling on salespeople's income, fair to both parties.

Reasons for dissatisfaction: little control over salespeople, uncertain income, "they won't travel in dull times," take on other lines, difficulty of starting a new salesperson.

Straight salary

Reasons for satisfaction: regular income for salespeople (38.8%), fixed sales costs (16.7%), better control of salespeople (11.1%), ease of budgeting, understandability of plan, ease of administration.

Reasons for dissatisfaction: lack of motivation (57.9%), inflexibility, absence of performance yardsticks, incomes not tied to profits.

SERVICE COMPANIES

Plan Being Used	*% Using It*	*% Of Users Satisfied With Plan*	*% Dissatisfied*	*% Uncertain Or No Answer*
Salary plus incentive	52.0%	65.4%	34.6%	—
Commission with draw	10.0	80.0*	—	20.0%*
Commission only	14.0	71.4*	28.6*	—
Straight salary	24.0	41.7	58.3	—

Number responding: 50.

*Indicates a small sample—a breakdown of 10 or fewer.

Salary plus incentive

Reasons for satisfaction: high pay for good perform-

ance (37%), motivation (21%), combines security with motivation (19%).

Reasons for dissatisfaction: incentive not large enough to motivate, unfairness caused by variations in territories and accounts.

Commission

Reasons for satisfaction: high earnings for good salespeople, motivation, simple, lower sales costs.

Reasons for dissatisfaction: lack of control, "short-range viewpoint" by salespeople, turnover, difficulty with new hires.

Straight salary

Reasons for satisfaction: stable income for sales force, ease of administration, easier recruiting.

Reasons for dissatisfaction: lack of motivation (almost unanimous).

WHOLESALERS AND DISTRIBUTORS

Plan Being Used	*% Using It*	*% Users Satisfied With Plan*	*% Dissatisfied*	*% Uncertain Or No Answer*
Salary plus incentive	43.2%	72.7%	22.7%	4.6%
Commission with draw	25.8	62.5	31.2	6.3
Commission only	13.3	76.7	17.6	—
Straight salary	7.3	55.6*	44.4*	—

Number responding: 124.

*Indicates a small sample—a breakdown of 10 or fewer.

Salary plus incentive

Reasons for satisfaction: motivates salespeople (27% of respondents), salespeople can make large earnings (25%), salespeople stress the profitable products (7%), security, easy to understand, low turnover.

Reasons for dissatisfaction: ceiling on earnings reduces motivation (21%), keyed to volume instead of profits (15%), administrative costs (9%), difficulty of setting quotas or objectives, fluctuations in income.

Commission

Reasons for satisfaction: motivation (38%), large or unlimited earnings (29%), controlled sales costs (11%), increased profits, salespeople more profitminded, low producers cost little.

Reasons for dissatisfaction: lack of control (25%), differences in territories cause unfairness (17%), inadequate income in bad times (16%), inadequate income to marginal producers, difficulty with new hires.

Straight salary

Reasons for satisfaction: known costs to company and known income to salespeople.

Reasons for dissatisfaction: lack of motivation (almost unanimous), high sales costs when sales are low.

What the authors say . . .

It is surprising that more than one-third of the responding companies are either dissatisfied with their compensation plans or undecided about their merits. (About three-fourths of those using commission plans are satisfied with them, compared with 65.2% satisfied with their salary-plus-incentive plans and only 45% with straight salary plans.)

Why aren't those who are unhappy doing something about it? Some probable answers are:

1. The plan is entrenched in industry tradition, thus hard to buck.
2. There is difficulty in assigning credit for a sale when various salespeople, sales offices, or company departments participate in making it.
3. There are complicated financial or product-line considerations.
4. There is a failure to recognize that an *appropriate* compensation plan can enhance profits.

We discovered that although nearly every company's compensation plan can be designed to improve the profitability of the product-mix being sold, one-third of the respondents have never asked themselves seriously if some change in how they reimburse salespeople could actually increase profits.

Some further conclusions drawn from the survey:

• It is noteworthy that 12 respondents say that their salary-plus-incentive plan promotes the sale of their profitable items or encourages full-line selling. Note: That is true only if the plan is designed with such objectives in

mind—an incentive based on dollar volume alone will encourage emphasis on the products easiest to sell.

• The disadvantage in a salary-plus-incentive plan for many is that the incentive payments are usually too low to motivate the sales force to additional effort. Even some who are satisfied overall with their salary-plus-incentive plans admit that their incentives are probably too low to achieve the desired degree of motivation. (See above for the reasons why these companies are not changing that situation.)

• There is evidence that as inflation pushes incomes into higher tax brackets while reducing purchasing power, some incentives that may have been adequate only a few years ago aren't doing the job today. One respondent's observation is applicable here: incentive payments that don't produce results are "simply an added expense."

• A significant number of respondents are unhappy because their incentive payments are not related to the profitability of the products sold.

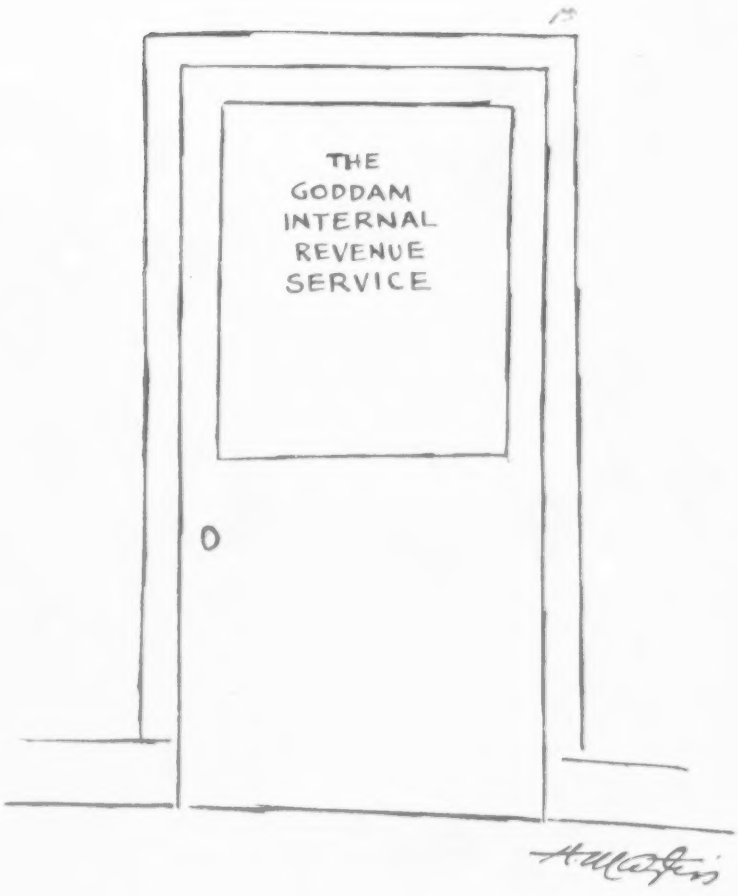
• A traditional advantage of straight salary plans remains true today: the high degree of control over the sales force that they allow. Because their incomes are not affected, salespeople are willing to follow instructions to attain the company's immediate as well as long-range goals, perform desired selling functions, and carry out nonselling support activities.

• Another "rule" of compensation supported by the survey: Salespeople paid straight salary simply tend to lack motivation. "Lack of incentive" afflicts salespeople in this compensation category far more than in any of the others.

• There is a strong tendency to overuse sales contests to bolster straight salary plans.

• Managers using commission plans say they like them because, naturally, sales costs decrease when sales do, and because they tend to generate the greatest motivation.

• Those disliking commission plans cite as a major reason the lack of control over the sales force. Respondents also criticize them because they encourage concentration on immediate orders, resulting in over-selling, and they prompt the salesperson to sell what is easiest to sell. Another disadvantage: the sales force is likely to "high spot" territories for the quickest or biggest sales. ■



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